

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DELAWARE TECHNICAL AND  
COMMUNITY COLLEGE**  
**REVIEW OF TUITION AND GENERAL  
CASH COLLECTION PROCESS**  
**FOLLOW-UP REPORT**  
**AS OF FEBRUARY 28, 2006**

**FIELDWORK END DATE: MARCH 29, 2006**

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**AUDITOR OF ACCOUNTS**



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# Executive Summary

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The Office of Auditor of Accounts (AOA) completed a follow-up engagement to determine if the recommendations, included in our Special Investigation report dated January 21, 2004 concerning Delaware Technical and Community College's (DTCC) tuition and general cash collection process, have indeed been implemented.

The results of the follow-up engagement are summarized below:

## Cash Receipt Reconciliations:

- DTCC has developed and implemented sufficient reconciliation procedures related to daily receipts based on the recommendations and corrective action plans in the January 21, 2004 report

## Daily Deposits:

- The College has instituted a process in which there is a secure pick-up and deposit of cash receipts at the various campuses using the Office of Public Safety Officers.

## Repositioning of cameras:

- The College has taken appropriate action to reposition existing cameras to record all Business Office cash register activity and has acquired and installed additional cameras at the Wilmington Campus where needed.

## Random desk audits:

- Random desk audits are being performed by the Business Manager, Assistant Business Manager, Budget Analyst, and Senior Accountants pursuant to existing policies and procedures, and the results are being reported to the Campus Director and Assistant Campus Director on a regular basis.



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# Audit Authority

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The audits shall be sufficiently comprehensive to provide, but not limited to, assurance that reasonable efforts have been made to collect all moneys due the State, that all moneys collected or received by any employee or official have been deposited to the credit of the State, and that all expenditures have been legal and proper and made only for the purposes contemplated in the funding acts or other pertinent regulations. The Auditor of Accounts shall file written reports covering the Auditor's postaudits with the state agency concerned, the Governor, the General Assembly, the Attorney General, and the Director of the Office of Management and Budget; and, if the Auditor deems necessary, the Auditor may present special reports to the General Assembly for consideration and action. The audit reports shall set forth:

- (1) Whether all expenditures have been for the purpose authorized in the appropriations therefore;
- (2) Whether all receipts have been accounted for and paid into the State Treasury as required by law;
- (3) All illegal and unbusinesslike practices;
- (4) Recommendations for greater simplicity, accuracy, efficiency and economy; and
- (5) Such data, information and recommendations as the Auditor of Accounts may deem advisable and necessary. (29 Del. C. 1953, § 2909; 54 Del. Laws, c. 39, § 9; 70 Del. Laws, c. 186, § 1; 75 Del. Laws, c. 88, § 21[13]).



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# Background

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In October 2003, the College notified the Office of Auditor of Accounts of irregularities with tuition receipts at the Wilmington Campus. We were informed that during a routine audit, irregularities were discovered by staff and subsequently confirmed by SantoraBaffone CPA Group. Additionally, we were told that the Office of the Attorney General was contacted and had requested that the issue be forwarded to AOA for investigation. AOA and the Office of the Attorney General undertook this as a joint investigation. AOA contracted SantoraBaffone CPA Group to perform a detailed review of the tuition and general cash collection process to determine the amount of the misappropriated funds and to make recommendations to enhance the overall internal controls.

Based on the results of the review, it was concluded that total missing funds of **\$344,604** were directly attributable to Ms. Newman (Business Office Account Technician). It appeared that no other Account Technician during the time of the examination had misappropriated tuition or general funds; and that after Ms. Newman retired, no additional funds were determined to be missing.

In the report dated January 21, 2004 the following weaknesses were noted:

## Reconciliations

The Business Office Account Technician's work was not properly supervised by the Business Office Manager or the Assistant Business Office Manager which created an environment conducive to misappropriation. There was no management review of reconciliations of tuition payments received from the Banner system to the validated deposit ticket.

## Daily Deposits

DTCC security personnel were not verifying the amount and the deposit bag number for each deposit and comparing it to the drop safe log sheets for deposits made during the day.

## Repositioning of Cameras

The existing cameras were inadequate to view all of the business office cash drawers.

## Random Desk Audits

Business office management, as required by DTCC policies and procedures, were not performing spot checks or desk audits in order to verify that all policies and procedures were being followed.



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# Objective, Scope, and Methodology

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## **OBJECTIVE**

The objective of this engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the January 21, 2004 Report.

## **SCOPE**

The scope of this engagement, a non-audit service, was limited to a follow-up of the January 21, 2004 Report. Testing of the status of the previous recommendations was performed for the period from July 1, 2004 through February 28, 2006.

## **METHODOLOGY**

AOA conducted this engagement in accordance with Generally Accepted Government Auditing Standards (GAGAS). Our procedures consisted of interviews and inquiry of key personnel; inspection and confirmation of documentation; observation of procedures; and performing tests of key controls when considered necessary.



# Status of Prior Year Findings and Recommendations

The following table summarizes prior year findings, recommendations, management responses, and the results of the current year follow-up engagement for the January 21, 2004 DTCC Report.

Finding	Recommendation	Management Response	Current Year Status
<i>Reconciliations</i>			
The Business Office Account Technician's work was not properly supervised by the Business Office Manager or the Assistant Business Office Manager which created an environment conducive to misappropriation.	In order to enhance the overall controls relating to the daily cash receipts reconciliation, we recommend that, in accordance with existing DTCC policies and procedures, a supervisor perform the daily reconciliation of each Account Technician's receipts from the Banner system to deposits made. We also recommend that an employee other than the Account Technician perform the daily cash register close-out procedures and reconcile cash and checks received per the Z tape to the deposit made.	In accordance with existing DTCC policies and procedures, the Senior Accountant performs the daily reconciliation of each Account Technician's receipts from the Banner system to the deposits made. We have enhanced the reconciliation preparation and review process by having the Accountant I prepare preliminary reconciliations and the Business Manager or Assistant Business Manager reviewing the supervisor's reconciliations. The same review process is followed to reconcile cash and checks received per the register tape to the deposit made. Finally, the campus has commenced sending all reconciliation and allocation reports to the Office of the President for a fourth level of review independent of the campus.	Implemented.



# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>Daily Deposits</i>			
DTCC security personnel are not verifying the amount and the deposit bag number for each deposit and comparing it to the drop safe log sheets for deposits made during the day.	In order to improve the security surrounding the pick-up and deposit of cash receipts, we recommend that DTCC use an armored car service. In addition, we recommend that the security guard making the pick-up verify the amount and deposit bag number of each deposit to what is recorded in the drop-safe log.	The College is in the process of contracting with AT Systems to provide the pick up and deposit of cash receipts at the Wilmington and Stanton Campuses. The Terry and Owens Campuses are also in the process of obtaining armored car service for their respective campuses.	Implemented.  AUDITORS NOTE: DTCC researched the cost associated with AT Systems and found it to be cost prohibitive. They continue to use DTCC security personnel but the security guard making the pick-up now verifies the amount and deposit bag number of each deposit to what is recorded in the drop-safe log and initials the log as evidence of his review.



# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>Repositioning of Cameras in the Business Office</i>			
There is inadequate security camera coverage of the Business Office cash drawers.	DTCC consider installing cameras near the Business Office cash registers at both Campuses as a means of further safeguarding its assets.	We have repositioned existing cameras to record all Business Office cash register activity and are acquiring and installing additional cameras at all campuses where needed.	Implemented.
<i>Random Desk Audits</i>			
The Business Office Account Technician's work was not properly supervised by the Business Office Manager or the Assistant Business Office Manager which created an environment conducive to misappropriation.	The Business Office management perform random desk audits and/or spot checks as required by DTCC's Policy Manual to ensure that established procedures are being followed.	Random desk audits are being performed by the Business Manager, Assistant Business Manager, Budget Analyst, and Senior Accountants pursuant to existing policies and procedures. These audits are being documented and when necessary, appropriate corrective action is taken by the Business Manager and Assistant Business Manager. The results of these random desk audits are being reported to the Campus Director and Assistant Campus Director on a regular basis.	Implemented.

**\* Status Key:**

- **Implemented:** The concern has been addressed by implementing the original or an alternate corrective action.
- **Not Implemented:** The corrective action has not been initiated.
- **Partially Implemented:** The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.



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# Distribution of Report

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Copies of the “Delaware Technical and Community College Review of Tuition and General Cash Collection Process Follow-Up Report” have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Jennifer Davis, Director, Office of Management and Budget  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General

Delaware Technical and Community College

Dr. Orlando J. George, Jr., President  
Mr. Gerard M. McNesby, Vice President For Finance

This report is also available at no charge on the Office of Auditor of Accounts website at [www.state.de.us/auditor/index.htm](http://www.state.de.us/auditor/index.htm) or by requesting a copy in writing to:

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